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BANKING DEPARTMENT
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Ms. Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury
Room 420
401 14th Street S.W.
Washington, D.C. 20227

Dear Ms. Johnson:

This letter is in response to the Treasury Department's proposed rule (31 CFR Part 208) on Electronic Funds Transfer ("EFT"). The New York State Banking Department (the "Department") thanks you for the opportunity to comment on the proposal.

The Department applauds the goal of bringing those individuals currently without banking relationships into the financial mainstream. As you may know, during the past two years the Department has committed substantial resources to encouraging enhanced access to and availability of banking services, particularly to low and moderate income households. The Department has intensified its educational outreach activities, with informational programs directed toward senior citizens as well as those currently unbanked. Furthermore, Governor George E. Pataki signed legislation earlier this year enabling municipalities to provide tax incentives and other subsidies to promote the establishment of commercial bank branches in underserved areas designated as banking development districts.

The Department also shares Treasury's belief in the need for educational efforts to encourage individuals to voluntarily establish such banking relationships. The Department has a strong preference for individual choice in adopting a banking relationship. The optimal result is achieved when individuals identify the account package that works best for them and establish their own relationship with a banking institution. Most banks in New York State currently offer low cost checking accounts, known as "Basic Banking Accounts," designed for consumers

who do not make many banking transactions. These accounts offer attractive terms including: an initial minimum deposit of \$25, a nominal minimum balance requirement of one cent, a maximum monthly account charge of \$3, a minimum of eight withdrawals (by check or proprietary ATM) per month, and periodic activity statements.

The Department distributes an informational consumer brochure on Basic Banking Accounts and has disseminated informational posters and thousands of palm cards in five languages to community groups to heighten awareness of these accounts. Furthermore, in its performance evaluation of a banking institution's services pursuant to the Community Reinvestment Act ("CRA"), the Department gives favorable consideration for (i) marketing and advertising the Basic Banking Account or (ii) offering an approved alternative account which provides even more advantageous terms for consumers, beyond that which is required by law.

The summary that accompanies the proposed regulation notes that even with concerted educational efforts, some benefit recipients are likely to remain unbanked by the regulation's implementation date. The summary also contains the Treasury Department's determination to engage one or more federally insured financial institutions to act as the Treasury's fiscal agent to provide accounts to unbanked individuals. The Treasury Department has elected not to mandate that all banking institutions provide a basic account at a reasonable price to individuals without accounts.

As the Treasury Department account is developed, the Department strongly urges that high priority be accorded to the structure of such accounts. Notwithstanding the benefits to be derived from establishing a banking relationship, the Department is concerned about the possibility of imposing significant new costs on individual recipients. Many benefit recipients may be hard pressed to afford a transaction account.

Although the Department believes that the Basic Banking Account may serve as one successful model for the design of the account to be made available to EFT recipients, a compelling argument may also be made favoring a less costly option allowing only debit transactions. In either case, one benefit of providing such an account is that it may serve as a vehicle to introduce, or reacquaint, the unbanked individual to a banking relationship. Such an individual at a later time may choose to move toward a broader, more comprehensive, account relationship.

The Department also urges that the Treasury Department, in electing to work with a fiscal agent or agents, accord a high priority to the adequacy of local geographic distribution networks. As the size of the geographic area serviced by a particular fiscal agent becomes larger, there may be increased risks that pockets or areas

exist where the fiscal agent's branch and ATM coverage is inadequate. It is important that the fiscal agent responsible for each geographic region possess sufficient branch and ATM coverage to ensure that senior citizens and disabled persons have access to banking services that are conveniently located.

The Department hopes that these comments will assist the Treasury Department as it implements its Electronic Funds Transfer program. If you have any questions or would like to discuss our comments, please call Cathy Weintraub, Director of Economic Research, at (212) 618-6544. Once again, the Department appreciates the opportunity to comment on this important proposal.

Very truly yours,



Elizabeth McCaul
Acting Superintendent of Banks

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